

# SENATE BILL REPORT

## SB 6321

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As of January 30, 2018

**Title:** An act relating to specifying that fire protection districts and regional fire protection service authorities are taxing districts for the purpose of distributing public utility revenues.

**Brief Description:** Specifying that fire protection districts and regional fire protection service authorities are taxing districts for the purpose of distributing public utility revenues.

**Sponsors:** Senators Rivers, Takko and Palumbo.

**Brief History:**

**Committee Activity:** Local Government: 1/23/18, 1/25/18 [DP].  
**Ways & Means:** 1/31/18.

**Brief Summary of Bill**

- Specifies that fire protection districts and regional fire protection service authorities are taxing districts for the purpose of distributing public utility district (PUD) privilege tax revenues.
- Specifies that regional fire authorities are eligible for the same portion that fire districts receive under the tax.
- Directs that fire protection districts and regional fire authorities receive at least 6 percent of the portion distributed to counties for hydroelectric facilities.

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### SENATE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass.

Signed by Senators Takko, Chair; Palumbo, Vice Chair; Short, Ranking Member; Angel and Liias.

**Staff:** Greg Vogel (786-7413)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background: Privilege tax.** The PUD privilege tax is a tax on the electric generating facilities of PUDs for the privilege of operating. The tax applies when a PUD generates, distributes, and sells electricity. The tax is in addition to state and local public utility taxes. The tax is based on the gross revenue derived from the sale of energy, the number of kilowatt-hours sold, and the wholesale value of energy produced in thermal electric generating plants.

**Tax Rate.** The tax is applied at different rates for hydroelectric and other generating facilities, and thermal generating facilities. For hydroelectric dams and other generating facilities the rate is as follows:

- 2 percent of gross revenue from the sale of power to consumers that is distributed through the district's own distribution system; plus
- 5 percent of the first 4 mills per kilowatt-hour of the: (1) wholesale value of self-generated energy distributed to its own customers, and (2) revenue from the sale for resale of self-generated energy; and

For each rate above, an additional 7 percent surtax is imposed.

For thermal generating facilities the rate is 1.5 percent of the wholesale value of energy produced for sale or use and an additional 7 percent surtax is imposed.

**Distribution of Receipts.** The distribution of receipts from the tax are as follows:

1. For hydroelectric facilities:
  - a. For the base tax rate of 2 percent of gross revenue and 5 percent of the first 4 mills:
    - i. 4 percent to the State General Fund; and
    - ii. 96 percent is further distributed as follows:
      1. 37.6 percent to the State General Fund for public schools; and the
      2. the remaining tax is distributed proportionately to counties in which the generating facility is located. Of this amount, funds are deposited to the credit of each taxing district in the county, other than school districts, according to the manner deemed most equitable; except not less than .75 percent of the gross revenues obtained by a district from the sale of electric energy within any incorporated city or town must be remitted to such city or town.
  - b. 100 percent of the 7 percent surtax is distributed into the State General Fund.
1. For thermal generating facilities:
  - a. For the base tax rate of 1.5 percent:
    - i. 4 percent to the State General Fund; and
    - ii. 96 percent is further distributed as follows:
      1. 50 percent to the State General Fund for public schools; and
      2. 22 percent to counties, 23 percent to cities, 3 percent to fire protection districts, and 2 percent to library districts, based on the proportion that the population of a respective taxing district

residing within the impacted area bears to the total population of all such districts residing within the impacted areas.

- b. 100 percent of the 7 percent surtax is distributed into the State General Fund.

Taxing district. For purposes of the tax, taxing district is defined as counties, cities, towns, school districts, and road districts.

**Summary of Bill:** For purposes of the PUD privilege tax, the definition of "taxing district" is expanded to include fire protection districts and regional fire protection service authorities.

For the distribution of receipts for thermal generating facilities, regional fire authorities are included as eligible for the portion of receipts distributed to fire protection districts.

For the distribution of receipts for hydroelectric facilities, not less than 6 percent of the amount distributed to the county must be remitted to fire protection districts and regional fire authorities within the county. Each fire protection district and regional fire authority within the county must receive a percentage of the amount for distribution to fire districts and regional fire authorities, respectively, in the proportion that the population of such district residing within the impacted area bears the total population of all such fire districts and regional fire authorities in the county.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (Local Government):** PRO: The PUD privilege tax is an in-lieu-of property tax, since you cannot tax governments. Fire districts provide services to these facilities. In one category, fire districts are listed as taxing districts to receive revenues, and in the other category, they are not. This bill is being put forward so districts can receive their proper portion for services rendered.

**Persons Testifying (Local Government):** PRO: Ryan Spiller, Washington Fire Commissioners.

**Persons Signed In To Testify But Not Testifying (Local Government):** No one.

**Staff Summary of Public Testimony (Ways & Means):** PRO: The bill corrects a technical error that impacts funding for certain services. The bill aligns two existing statutes and ensures that fire districts and regional fire protection authorities receive a portion of county tax revenue.

**Persons Testifying (Ways & Means):** PRO: Senator Ann Rivers, Prime Sponsor; Ryan Spiller, Washington Fire Commissioners.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.